

# **APPENDICES**

Sustainable Development or Resource Cursed? - Appendices

**Appendix 1 Comparison of 2005-2006 and 2006-2007 recurrent budgets**

	2005-06 Recurrent Total	% 05-06 Recurrent Budget	2006-07 Recurrent Total	% 06-07 Recurrent Budget	US\$ difference	% difference
President of the Republic	595	0.70%	1,266	0.67%	671	-0.03%
National Parliament	1,268	1.48%	2,451	1.30%	1,183	-0.19%
Office of the Prime Minister and the President of the Council of Ministers	3,782	4.42%	3,675	1.94%	-107	-2.48%
Ministry of Defence	8,180	9.56%	12,390	6.56%	4,210	-3.01%
Office of the Secretariat of State for Council of Ministers	678	0.79%	1,265	0.67%	587	-0.12%
Ministry of State Administration	3,214	3.76%	11,429	6.05%	8,215	2.29%
Ministry of the Interior	1,368	1.60%	1,849	0.98%	481	-0.62%
Ministry of the Interior (PNTL)	8,470	9.90%	10,923	5.78%	2,453	-4.12%
Ministry of Development	453	0.53%	9,103	4.82%	8,650	4.29%
Secretary of State of Youth and Sport	259	0.30%	784	0.41%	525	0.11%
Ministry of Justice	4,176	4.88%	3,375	1.79%	-801	-3.10%
Ministry of Agriculture, Forests and Fisheries	3,880	4.54%	11,237	5.95%	7,357	1.41%
Ministry of Education and Culture	16,608	19.42%	24,561	13.00%	7,953	-6.42%
Ministry of Health	10,305	12.05%	15,634	8.27%	5,329	-3.77%
Ministry of State for Labour and Community Reintegration	611	0.71%	9,332	4.94%	8,721	4.22%
Ministry of Foreign Affairs and Cooperation	2,652	3.10%	5,537	2.93%	2,885	-0.17%
Ministry of Planning and Finance	6,716	7.85%	31,119	16.47%	24,403	8.62%
Ministry of Transport and Communications	1,636	1.91%	2,782	1.47%	1,146	-0.44%
Ministry of Natural Resources, Minerals and Energy Policy	6,718	7.85%	17,732	9.38%	11,014	1.53%
Ministry of Public Works	2,319	2.71%	8,187	4.33%	5,868	1.62%
Tribunals	503	0.59%	774	0.41%	271	-0.18%
Banking and Payments Authority (2005-06 only)	240	0.28%	-	-	N/A	N/A
Public Prosecution Office (2006-07 only)	-	-	279	0.15%	N/A	N/A
Ombudsman for Human Rights and Justice	83	0.10%	401	0.21%	318	0.12%
Public Broadcasting Service of Timor Leste	826	0.97%	2,863	1.52%	2,037	0.55%
<b>Total Recurrent Expenditure Excluding Autonomous Agencies</b>	<b>85,540</b>		<b>188,948</b>			

All figures are US\$'000

**Appendix 2 Timor-Leste's Petroleum Fund Law**

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**LAW 8/2005**

Promulgated by the President on 3 August 2005

This is an unofficial translation of the Portuguese version.

**PETROLEUM FUND LAW**

**Preamble**

This Act establishes a Petroleum Fund which seeks to meet with the constitutional requirement laid down in Article 139 in the Constitution of the Republic. Pursuant to this provision, petroleum resources shall be owned by the State, be used in a fair and equitable manner in accordance with national interests, and the income derived therefrom should lead to the establishment of mandatory financial reserves.

The Petroleum Fund shall contribute to a wise management of the petroleum resources for the benefit of both current and future generations. The Petroleum Fund shall be a tool that contributes to sound fiscal policy, where appropriate consideration and weight is given to the long-term interests of Timor-Leste's citizens.

Efficient planning and proper execution of public sector budgets are key components of a sound management of the petroleum wealth. The Petroleum Fund is to be coherently integrated into the State Budget, and shall give a good representation of the development of public finances. The Petroleum Fund shall be prudently managed and shall operate in an open and transparent fashion, within the constitutional framework.

This Act lays down the key parameters for the operation and management of the Petroleum Fund. The Act governs the collection of and management of receipts associated with the petroleum wealth, regulates transfers to the State Budget, and provides for Government accountability and oversight of these activities.

Therefore, pursuant to Article 139 of the Constitution and for the purpose of establishing a fund of income from the exploitation of non-renewable petroleum resources for the needs of both current and future generations,

Pursuant to Article 92 of the Constitution of the Republic, the National Parliament enacts the following to have the force of law:

**Chapter I – General Provisions**

Article 1

Citation

This Act may be cited as the Petroleum Fund Act.

Article 2

Definitions

2.1 In this Act, unless the context requires otherwise:

- (a) "Central Bank" means the authority to be established under Section 143 of the Constitution of the Republic or, until such authority is established, the Banking and Payments Authority;
- (b) "Code" means the Petroleum Mining Code and the Interim Petroleum Mining Code agreed and adopted by Timor-Leste and Australia under Article 7 of the Treaty, as amended, varied, modified or replaced from time to time, and regulations made and directions given under it;
- (c) "Estimated Sustainable Income" for a Fiscal Year means the amount determined in accordance with the formula set out in Schedule 1;
- (d) "Exchange of Notes" means:
  - (i) Exchange of Notes Constituting an Agreement between the Government of Australia and the United Nations Transitional Administration in East Timor, of 10 February 2000; or
  - (ii) Exchange of Notes Constituting an Agreement between the Government of Timor-Leste and the Government of Australia, of 20 May 2002.
- (e) "Fiscal Year" means the period of twelve (12) months from 1st July to 30<sup>th</sup> June;
- (f) "Independent Auditor" means an internationally recognised accounting firm appointed for the purpose of auditing the Government accounts as set out in the Timor-Leste law until the administrative, tax and audit courts is established, or thereafter an internationally recognised accounting firm appointed pursuant to Article 34;
- (g) "Investment Manager" means the Central Bank and any person appointed as external Investment Manager under Article 12;
- (h) "Minister" means the Minister in charge of finances;
- (i) "Parliament" means the National Parliament of Timor-Leste;
- (j) "Payer" means any entity on whom there is an obligation pursuant to this Act to make a payment into the Petroleum Fund;

- (k) "Petroleum" has the same meaning given to it in the Petroleum Act;
- (l) "Petroleum Act" means the Petroleum Act, as amended, varied, modified or replaced from time to time, and regulations made and directions given under it;
- (m) "Petroleum Authorisation" means:
  - (i) an access authorisation, a petroleum contract, a prospecting authorisation or a seepage use authorisation, or any agreement made in respect of such an authorisation or contract, granted or entered into under the Petroleum Act; or
  - (ii) an authorisation or production sharing contract, or any agreement made in respect of such an authorisation or contract, granted or entered into under the Code;
- (n) "Petroleum Fund" means the Petroleum Fund for Timor-Leste established under Article 5;
- (o) "Petroleum Fund Receipts" has the meaning given to it in Article 6;
- (p) "Petroleum Operations" means authorised activities under a Petroleum Authorisation;
- (q) "State Budget" means the State Budget referred to under Section 145 of the Constitution of the Republic;
- (r) "Tax Revenue" means any tax or duty imposed under Timor-Leste law;
- (s) "Timor-Leste" means the Democratic Republic of Timor-Leste; and
- (t) "Treaty" means the Timor Sea Treaty between the Government of Timor-Leste and the Government of Australia signed on 20th May 2002, as amended, varied, modified or replaced from time to time.

2.2 All terms in the present Act that are defined in the Timor-Leste law on budget and financial management have the same meaning given to it in that law.

#### Article 3

##### Material Scope of the Act

This Act shall provide for the establishment and management of the Petroleum Fund, and the procedural rules relating thereto.

#### Article 4

##### Inconsistencies

For the purposes of this Act, in the event of any inconsistency between the provisions of the Act and the provisions in the law of Timor-Leste on budget and financial management, or between the provisions of the Act and the terms of a Petroleum Authorization, the provisions of the present Act shall prevail.

### **Chapter II – The Petroleum Fund for Timor-Leste**

#### Article 5

##### Petroleum Fund for Timor-Leste

5.1 There is hereby established a fund known as the Petroleum Fund for Timor-Leste.

5.2 The Petroleum Fund shall have an earmarked receipts account, held by the Central Bank in compliance with Articles 14 and 15, into which the Petroleum Fund Receipts set out in Article 6 are credited.

5.3 Transfers from the Petroleum Fund shall be made only in accordance with Articles 7 to 10.

5.4 The details concerning the account referred to in Section 5.2, and the State Budget account referred to in Section 7.1, shall be made public through the publication of the operational management agreement to which Section 11.3 refers.

#### Article 6

##### Petroleum Fund Receipts

6.1 The following amounts are Petroleum Fund gross receipts:

- (a) the gross revenue, including Tax Revenue, of Timor-Leste from any Petroleum Operations, including prospecting or exploration for, and development, exploitation, transportation, sale or export of petroleum, and other activities relating thereto;
- (b) any amount received by Timor-Leste from the Designated Authority pursuant to the Treaty;
- (c) any amount received by Timor-Leste from the investment of Petroleum Fund Receipts;
- (d) any amount received from direct or indirect participation of Timor-Leste in Petroleum Operations; and
- (e) any amount received by Timor-Leste relating directly to petroleum resources not covered in paragraphs (a) to (d) above.

6.2 In the event that Timor-Leste participates in Petroleum Operations indirectly, as provided for in paragraph 6.1(d), through a national oil company, the receipts of the Petroleum Fund shall include the following:

- (a) any amount payable by the national oil company as tax, royalty or any other due in accordance with Timor-Leste law; and
- (b) any amount paid by the national oil company as dividend.

6.3 From the amount received in accordance with Section 6.1, the Central Bank shall be entitled to deduct, by direct debit of the Petroleum Fund account, any reasonable management expenses, as provided for in the operational management agreement referred to in Section 11.3.

Article 7

Transfers

7.1 Subject to Section 6.3, the only debits permitted to the Petroleum Fund are electronic transfers made in accordance with this present article, as well as Articles 8 to 10, to the credit of a single State Budget account.

7.2 The total amount transferred from the Petroleum Fund for a Fiscal Year shall not exceed the appropriation amount approved by Parliament for the Fiscal Year.

7.3. Subject to Article 8 to 10, transfers from the Petroleum Fund by the Central Bank in the Fiscal Year, shall only take place after publication of the budget law, or any subsequent changes thereto, in the *Jornal da República*, confirming the appropriation amount approved by Parliament for that Fiscal Year.

Article 8

Requirements for Transfers

No transfer shall be made from the Petroleum Fund in the Fiscal Year unless the Government has first provided Parliament with reports:

- (a) specifying the Estimated Sustainable Income for the Fiscal Year for which the transfer is made;
- (b) specifying the Estimated Sustainable Income for the preceding Fiscal Year; and
- (c) from the Independent Auditor certifying the amount of the Estimated Sustainable Income in paragraphs (a) and (b) above.

Article 9

Transfers Exceeding the Estimated Sustainable Income

No transfer shall be made from the Petroleum Fund in a Fiscal Year in excess of the Estimated Sustainable Income for the Fiscal Year unless the Government has first provided Parliament with:

- (a) the reports described in paragraphs 8.(a) and 8.(b);
- (b) a report estimating the amount by which the Estimated Sustainable Income for Fiscal Years commencing after the Fiscal Year for which the transfer is made will be reduced as a result of the transfer from the Petroleum Fund of an amount in excess of the Estimated Sustainable Income of the Fiscal Year for which the transfer is made;
- (c) a report from the Independent Auditor certifying the estimates of the reduction in Estimated Sustainable Income in paragraph (b) above; and
- (d) a detailed explanation of why it is in the long-term interests of Timor-Leste to transfer from the Petroleum Fund an amount in excess of the Estimated Sustainable Income.

Article 10

Transfers for Purposes of Refund of Tax

If required under the law of Timor-Leste, transfers from the Petroleum Fund are exceptionally permitted for purposes of refund of tax, in the event of overpayment of tax under paragraphs 6.1(a) and 6.2(a). This amount represents a reduction of the Petroleum Fund Receipts, and shall not be considered as part of the appropriation approved under Section 7.2.

**Chapter III – Petroleum Fund Investment and Protection**

Article 11

Management of the Petroleum Fund

11.1 The Government is responsible for the overall management of the Petroleum Fund.

11.2 The Minister shall not make any decisions in relation to the investment strategy or management of the Petroleum Fund without first seeking the advice of the Investment Advisory Board in accordance with Article 16.

11.3 The Minister shall enter into an agreement with the Central Bank for the operational management of the Petroleum Fund and the Central Bank shall be responsible for the operational management of the Petroleum Fund.

11.4 The Petroleum Fund shall be managed prudently in accordance with the principle of good governance for the benefit of current and future generations.

Article 12

External Investment Managers

12.1 The Central Bank may propose to the Minister, either of its own motion or at the request of the Minister, the appointment of one or more external Investment Managers to be responsible for managing the investment of amounts in the Petroleum Fund.

12.2 The Central Bank may select and appoint an external Investment Manager proposed under Section 12.1 only if the Minister is satisfied that:

- (a) the external Investment Manager is a legal person with sufficient equity capital and adequate guarantees and insurances against operational risks;
- (b) the external Investment Manager has a sound record of operational and financial performance; and

- (c) the references and reputation of the external Investment Manager in the field of fund management are of the highest standard.

12.3 The Central Bank shall be responsible for the tendering procedures required for any appointment made pursuant to Section 12.1, as well as for the contracting of any other professional services under the operational management agreement referred to in Section 11.3, and shall in doing so comply with the substantive provisions of Timor-Leste law.

12.4 The procedures for terminating a contract with an external Investment Manager shall be laid down in the operational management agreement referred to in Section 11.3.

12.5 The duty of the Investment Manager is to maximise the return on the Petroleum Fund investments having regard to appropriate risk as indicated by the investments permitted under Articles 14 and 15, any subsidiary legislation under this Act, any instructions by the Minister and the operational management agreement referred to in Section 11.3.

#### Article 13

##### Quarterly Reports on the Petroleum Fund

13.1 The Central Bank shall present to the Minister quarterly reports on the performance and activities of the Petroleum Fund no later than twenty (20) days after the end of each quarter.

13.2 The Central Bank shall provide for the publication of its reports no later than forty (40) days after the end of the quarter.

13.3 The Central Bank shall ensure that in releasing, or allowing access to, such reports measures are taken to prevent the disclosure of confidential information.

#### Article 14

##### Investment Rules

14.1 Not less than ninety per cent (90%) of the amounts in the Petroleum Fund shall be invested only in qualifying instruments described in Article 15.

14.2 Not more than ten per cent (10%) of the amounts in the Petroleum Fund may be, in accordance with all procedures laid down in this Act, invested in financial instruments other than those mentioned in Section 15.1, provided that such instruments are:

- (a) issued abroad;
- (b) liquid and transparent;
- (c) traded in a financial market of the highest regulatory standard.

14.3 The range of instruments included as qualifying instruments in Section 15.1 shall be reviewed by the Government, and approved by Parliament, at the end of the first five (5) years of the Petroleum Fund existence, having regard to the size of the Petroleum Fund and the level of institutional capacity.

#### Article 15

##### Qualifying Instruments

15.1 Subject other provisions of this present article, a qualifying instrument is:

- (a) a debt instrument denominated in United States Dollars that bears interest or a fixed amount equivalent to interest, that is:
  - (i) rated Aa3 or higher by the Moody's rating agency or rated AA- or higher by Standard & Poor's rating agency; and
  - (ii) issued by or guaranteed by the World Bank or by a sovereign State, other than Timor-Leste, provided the issuer or guarantor is rated Aa3 or higher by the Moody's rating agency or rated AA- or higher by Standard & Poor's rating agency; or
- (b) a United States Dollars deposit with, or a debt instrument denominated in United States Dollars that bears interest or a fixed amount equivalent to interest issued by:
  - (i) the Bank for International Settlements;
  - (ii) the European Central Bank; or
  - (iii) the Central Bank of a sovereign State, other than Timor-Leste, with a long-term foreign currency rating of Aa3 or higher by the Moody's rating agency or AA- or higher by the Standard & Poor's rating agency;
  - (iv) a bank designated by Moody's rating agency with a long-term foreign currency rating of Aa3 or higher or designated by Standard & Poor's rating agency with a long-term foreign currency rating of AA- or higher.

15.2 The Investment Manager shall dispose of an instrument if it ceases to be a qualifying instrument because of a change in the rating of the instrument or the issuer of the instrument within one month of the instrument ceasing to be a qualifying instrument.

15.3 The average interest rate duration of Petroleum Fund qualifying instruments under Section 15.1 shall be less than six (6) years.

15.4 A derivative instrument is a qualifying instrument only if:

- (a) it is solely based on instruments that satisfy the requirements of Section 15.1; and
- (b) its acquisition reduces the financial exposure to the risks associated with the underlying instrument or instruments.

#### Article 16

##### Investment Advisory Board

16.1 There is hereby established an Investment Advisory Board that is responsible for:

- (a) developing for the Minister performance benchmarks of desired returns from, and appropriate risks of, the investments of the Petroleum Fund;
- (b) advising the Minister on the investment instructions that the Minister shall provide to the Investment Managers of the Petroleum Fund appointed pursuant to Article 12;
- (c) advising the Minister on the performance of the external Investment Managers and making recommendations to the Minister on the appointment or removal of external Investment Managers; and
- (d) advising the Minister on the need for changes in the overall investment strategy or management of the Petroleum Fund, including the making of recommendations as to such changes.

16.2 Subject to Article 18, the Minister shall seek the advice of the Investment Advisory Board before making a decision on any matter relating to the investment strategy or management of the Petroleum Fund.

16.3 Any advice given by the Investment Advisory Board on investment strategy or management of the Petroleum Fund shall take into account:

- (a) the overall objective that the Petroleum Fund be a fund of income from the exploitation of non-renewable petroleum resources for the benefit of current and future generations;
- (b) the current conditions, opportunities and constraints in investment markets, and the constraints under which the Central Bank and other key institutions in Timor-Leste operate; and
- (c) the need to ensure that sufficient amounts are available when needed for transfers referred to in Article 7.

16.4 The Investment Advisory Board shall determine the rules of procedure under which it operates.

#### Article 17

##### Organisation of the Investment Advisory Board

17.1 The members of the Investment Advisory Board shall be:

- (a) the Director of Treasury;
- (b) the Head of the Central Bank;
- (c) two persons appointed by the Minister with significant experience in investment management; and
- (d) one other person appointed by the Minister.

17.2 The Central Bank shall provide the secretariat for the Investment Advisory Board and any support required by the board to carry out its functions.

17.3 The Minister shall provide, in accordance with Timor-Leste law:

- (a) a person to sit on the secretariat of the Investment Advisory Board; and
- (b) appropriate remuneration for the members of the Investment Advisory Board appointed under paragraphs 17.1(c) and 17.1(d).

17.4 The members of the Investment Advisory Board shall, on occasion of taking and vacating office, submit a declaration concerning their assets and income from property and capital, including information relating to their bank accounts.

#### Article 18

##### Absence of Advice from the Investment Advisory Board

18.1 The non-provision of advice by the Investment Advisory Board, within fifteen (15) days of the request, or within such longer time period as may be determined by the Minister having regard to the nature of the advice sought, shall not constitute an impediment for the Minister to make a decision.

18.2 If, having regard to the nature and urgency of the decision to be taken, there is insufficient time to seek the advice of the Investment Advisory Board, in relation to a particular decision, the Minister shall make a decision without first seeking the advice of the Investment Advisory Board.

18.3 If the Minister makes a decision under Section 18.1 or 18.2, the Minister shall immediately report the making of the decision to the Investment Advisory Board.

18.4 The Minister shall reexamine the decision having regard to any subsequent advice provided by the Investment Advisory Board.

#### Article 19

##### Release of Advices of the Investment Advisory Board

19.1 When required by Parliament, the Government shall without delay provide Parliament with all advices given thereto by the Investment Advisory Board.

19.2 The Minister shall ensure that in releasing, or allowing access to, advices given thereto, measures are taken to prevent the disclosure of confidential information.

Article 20

No Encumbrances on the Assets of the Petroleum Fund

20.1 Any amount that is invested pursuant to Articles 14 and 15 shall, at all times, remain the property of Timor-Leste.

20.2 Any contract, agreement or arrangement, to the extent that it purports to encumber the assets of the Petroleum Fund, whether by way of guarantee, security, mortgage or any other form of encumbrance, is null and void.

**Chapter IV – Supervision of the Petroleum Fund**

Article 21

Maintenance of Petroleum Fund Accounts and Records

21.1 The Director of Treasury is responsible for maintaining the Petroleum Fund accounts and records in accordance with the International Accounting Standards in force, to reflect the operations and financial condition of the Petroleum Fund.

21.2 The Director of Treasury shall submit to the Minister quarterly management information reports and analyses on the performance and activities of the Petroleum Fund no later than twenty (20) days after the end of each quarter.

21.3 The Director of Treasury is responsible for reporting on the performance and activities of the Petroleum Fund for the purpose of the annual financial statements of Timor-Leste.

Article 22

Internal Audit

The accounts, records and other documents relating to the Petroleum Fund shall be audited every six months by the bodies responsible for internal audits of each of the entities involved.

Article 23

Annual Report

23.1 The Government shall submit an Annual Report for the Petroleum Fund for a Fiscal Year to Parliament, at the same time as the annual financial statements of that year are submitted to Parliament.

23.2 The Annual Report referred to in Section 23.1 shall be published by Government within fifteen (15) days of its submission to Parliament.

Article 24

Information Contained in the Annual Report

24.1 The Annual Report for the Petroleum Fund shall be prepared in a manner that makes it readily adaptable for public information, and shall contain in particular the following information for the Fiscal Year for which the Report is prepared:

- (a) audited financial statements certified by the Independent Auditor, comprising:
  - (i) an income and expenditure statement;
  - (ii) a balance sheet, including a note listing the qualifying instruments of the Petroleum Fund, valued at market value;
  - (iii) details of all appropriations and transfers from the Petroleum Fund; and
  - (iv) notes to the financial statements, as appropriate;
- (b) a report signed by the Minister describing the activities of the Petroleum Fund in the year, including all advice provided by the Investment Advisory Board, any reports prepared by the Independent Auditor under Article 35 and drawing attention to particular issues or matters that may be of concern or interest to Parliament;
- (c) a statement by the Director of Treasury drawing attention to any accounting issues or practices arising from the Report that may materially affect the interpretation of amounts or activities shown within it;
- (d) the income derived from the investment of Petroleum Fund assets during the Fiscal Year compared with the income of the previous three Fiscal Years;
- (e) a comparison of the nominal income on the investment of Petroleum Fund assets with the real return after adjusting for inflation;
- (f) a comparison of the income derived from the investment of Petroleum Fund assets with the benchmark performance indices provided to the Minister pursuant to Section 16.1;
- (g) a comparison of the Estimated Sustainable Income for the Fiscal Year with the sum of transfers from the Petroleum Fund for the year;
- (h) in the event of Government borrowings, the liabilities shall be reflected in the presentation of Petroleum Fund accounts so as to give a true representation of the past and expected future development of the Government's net financial assets and rate of savings; and

- (i) a list of persons holding positions relevant for the operation and performance of the Petroleum Fund, including:
  - (i) the Minister;
  - (ii) the Director of Treasury;
  - (iii) the members of the Investment Advisory Board;
  - (iv) the external Investment Managers;
  - (v) the Head of the Central Bank; and
  - (vi) the members of the Petroleum Fund Consultative Council.

24.2 The sources of the information described in Section 24.1, whatever their form, and including all reports and statements, shall be annexed to the Annual Report in unedited form.

## **Chapter V – Petroleum Fund Consultative Council**

### Article 25

#### Petroleum Fund Consultative Council

25.1 There is hereby established a Petroleum Fund Consultative Council.

25.2 The Petroleum Fund Consultative Council shall, of its own motion or at the request of Parliament:

- (a) advise Parliament on matters relating to the performance and operation of the Petroleum Fund;
- (b) advise Parliament on appropriations from the Petroleum Fund as set out in Section 30.2; and
- (c) in the context of the budgetary process, advise Parliament on whether the appropriations of the Petroleum Fund are being used effectively to the benefit of current and future generations.

### Article 26

#### Composition of the Petroleum Fund Consultative Council

The Petroleum Fund Consultative Council shall comprise the following members, all of whom are nationals of Timor-Leste:

- (a) former Presidents of the Republic;
- (b) former Speakers of the Parliament who have effectively been in office for at least three (3) years;
- (c) former Prime Ministers who have effectively been in office for at least three (3) years;
- (d) former Ministers in charge of finances who have effectively been in office for at least three (3) years;
- (e) former Heads of the Central Bank who have effectively been in office for at least three (3) years;
- (f) two members appointed by Parliament, elected in accordance with the rules laid down by Parliament;
- (g) two members appointed to represent civil society non-profit organisations;
- (h) a member appointed to represent the private business sector; and
- (i) a member appointed to represent religious organisations.

### Article 27

#### Appointment and Tenure of Members

27.1 The term of office of the members of the Petroleum Fund Consultative Council is five (5) years, and it is not renewable.

27.2 The term of office of the members mentioned in paragraphs 26.(a) to 26.(e) shall be served from the end of their office, in accordance with procedures to be laid down by Parliament.

27.3 The members of the Petroleum Fund Consultative Council referred to in paragraphs 26.(g) to 26.(i) shall be freely appointed by the concerned organisations, duly registered in accordance with Timor-Leste law, under procedures to be laid down by Parliament.

27.4 If no appointment can be made to the Petroleum Fund Consultative Council pursuant to paragraphs 26.(a), 26.(b) or 26.(c), the President of the Republic, the President of Parliament, and the Prime Minister, respectively, shall appoint one member to fill such a vacancy. Any member of the Consultative Council appointed under this paragraph shall cease his or her functions as soon as the appointment of the member in question becomes possible under paragraphs 26.(a), 26.(b) or 26.(c).

27.5 Members of Parliament or of Government may not be appointed under paragraph 26.(f).

27.6 The members of the Petroleum Fund Consultative Council shall, on occasion of taking and vacating office, submit a declaration concerning their assets and income from property and capital, including information relating to their bank accounts.

### Article 28

#### Limitations

28.1 A person shall not be appointed as a member of the Petroleum Fund Consultative Council if the person:

- (a) has been removed from office;
- (b) has been declared bankrupt or insolvent; or
- (c) has been convicted of a criminal offence.

28.2 Members of the Petroleum Fund Consultative Council have security of tenure and, unless otherwise provided for by law, may not be suspended, retired or removed from office.

28.3 The appointment of a member of the Petroleum Fund Consultative Council ceases if the member:

- (a) is declared bankrupt or insolvent;
- (b) is convicted of a criminal offence; or
- (c) is unfit for office.

28.4 Until such time as specific procedures for the removal of a member under paragraph 28.3(c) are established under the general law, the procedures applicable for the removal of judges shall apply.

#### Article 29

##### Economic Advisor to the Petroleum Fund Consultative Council

Subject to approval by Parliament, the Petroleum Fund Consultative Council may select and appoint as its international adviser for economic and financial matters, for a period of two (2) years, an academic or professional of the highest reputation and competence.

#### Article 30

##### Functioning of the Petroleum Fund Consultative Council

30.1 In conducting its activities, the Petroleum Fund Consultative Council shall take into account:

- (a) the overall objective that the Petroleum Fund be a fund of income from the exploitation of non-renewable petroleum resources for the benefit of current and future generations; and
- (b) the principles for the operation of the Petroleum Fund as outlined in this Act.

30.2 When:

- (a) the Government introduces legislation to Parliament to appropriate an amount from the Petroleum Fund, and
- (b) the amount the legislation would appropriate in the Fiscal Year is greater than the Estimated Sustainable Income of the Petroleum Fund for the Fiscal Year,

the Petroleum Fund Consultative Council shall submit, in a timely manner, as decided by Parliament on a case by case basis, an advice to Parliament on the Government's proposed appropriation.

30.3 The non-provision of advice by the Petroleum Fund Consultative Council, within the time period decided by Parliament, shall not constitute an impediment for Parliament to make a decision.

30.4 For purposes of advising Parliament, the Petroleum Fund Consultative Council shall consult widely in the community and, to this end, shall hold an annual forum on issues relating to the Petroleum Fund.

30.5 The Petroleum Fund Consultative Council shall determine the rules of procedure under which it will operate, and its decisions shall only be valid if taken by majority, with a quorum of six (6) members.

30.6 Parliament shall provide adequate funding for the operations of the Petroleum Fund Consultative Council, including appropriate remuneration for members of the Petroleum Fund Consultative Council, through the budgetary appropriation for the operation of Parliament.

#### Article 31

##### Release of Information

31.1 Parliament shall provide for the publication of the advices of the Petroleum Fund Consultative Council, including minority opinions, within thirty (30) days of having been provided.

31.2 Parliament shall ensure that in releasing, or allowing access to, advices of the Petroleum Fund Consultative Council, measures are taken to prevent the disclosure of confidential information.

31.3 The Minister and/or the Head of the Central Bank shall furnish the Petroleum Fund Consultative Council with information it requests on any aspect of the operation or performance of the Petroleum Fund for the purpose of its monitoring of the Petroleum Fund.

31.4 In dealing with the information furnished under Section 31.3, the Petroleum Fund Consultative Council shall ensure that measures are taken to prevent the disclosure of confidential information.

### **Chapter VI – Transparency**

#### Article 32

##### Transparency as a Fundamental Principle

32.1 The management of the Petroleum Fund shall always be carried out, and the related duties of all relevant parties shall be discharged, with the highest standard of transparency.

32.2 Information or data whose disclosure to the public could, in particular:

- (a) prejudice significantly the performance of the Petroleum Fund;
- (b) be misleading, as it relates to:
  - (i) incomplete analysis, research or statistics;
  - (ii) to frankness and candour of internal discussion;
  - (iii) the exchange of views for the purposes of deliberation; or

- (iv) the provision of confidential advice;
- (c) significantly affect the functioning of the Government;
- (d) amount to the disclosure of confidential communications;
- (e) substantially prejudice the management of the economy;
- (f) substantially prejudice the conduct of official market operations; or
- (g) result in or lead to improper gains or advantages;

may be declared as confidential. The declaration of confidentiality shall, taking into account the principle of transparency and the right of the public as regards to access to information, provide a clear reasoning on the motives for treating such information or data as confidential.

32.3 Any information that is kept confidential at the time at which it could have been published, as well as the reasoning for having been treated as confidential, shall be made available to the public, upon request, when the reasons for confidentiality are no longer valid, and in any case after five (5) years from the date at which it could have been published.

32.4 In the exercise of its functions and competences, and as provided for in this Act, Parliament, the Government, the Minister, Central Bank, Investment Advisory Board and the Petroleum Fund Consultative Council shall take all necessary measures to ensure transparency mechanisms and free access to public information.

32.5 The Minister shall ensure that this Act, any subsidiary legislation made thereunder, any instructions relating to the Petroleum Fund, the operational management agreement referred to in Section 11.3 and the reports referred to in Articles 8 and 9 are readily available to the public within thirty (30) days of having been finalised.

#### Article 33

##### Payments into the Petroleum Fund Account

For all purposes of Timor-Leste law, an obligation to make a payment into the Petroleum Fund shall not be treated as discharged until the amounts have been deposited, integrally and unconditionally, into the Petroleum Fund earmarked receipts account.

#### Article 34

##### Independent Auditor

34.1 Without prejudice to the jurisdiction of any court, there shall at all times be appointed an Independent Auditor, which shall be an internationally recognised accounting firm, selected and appointed by the Government.

34.2 The selection and appointment of the Independent Auditor shall be made in accordance with the procurement procedures established under Timor-Leste law.

34.3 The Independent Auditor appointed under this Act shall remain in function for the contracted period, unless the contract is terminated for serious misconduct or serious breach of contract, or if the Independent Auditor's conduct otherwise prejudices the performance of the Petroleum Fund.

#### Article 35

##### Payments made as Petroleum Fund Receipts

35.1 The Independent Auditor shall prepare a report for the Minister of all payments made, or that should under this Act have been made, as Petroleum Fund Receipts for each Fiscal Year.

35.2 The Independent Auditor may require any Payer to provide any information, and to deliver proof of any facts which may be necessary for the full discharge and performance of the Independent Auditor's duties under this Act.

35.3 The Independent Auditor's report shall state the aggregate amounts of payments made as Petroleum Fund Receipts for each Payer for the Fiscal Year.

35.4 If the Independent Auditor concludes that there is a discrepancy between payments made and those which should have been made, and which cannot be explained, the Independent Auditor shall refer the matter to the Minister. In referring the matter to the Minister, the Independent Auditor shall provide all information that the Independent Auditor possesses regarding the discrepancy in question.

#### Article 36

##### Reports of the Independent Auditor

36.1 The Minister shall provide for the publication of the Independent Auditor's report, in particular through the Annual Report.

36.2 The Independent Auditor shall ensure that in preparing the report measures are taken to prevent the disclosure of confidential information.

### **Chapter VII – Penalties**

#### Article 37

##### Scope of the Chapter

The provisions included in this Chapter are without prejudice of criminal and civil liability under general law.

Article 38

Non-Compliance with an Obligation to Publicise Information

Whoever fails to comply with any obligation to publicise information, provided for in this Act, or leads someone else to fail to comply with, or in any manner hinders or leads someone else to hinder the compliance with, such an obligation, shall be punished by imprisonment for a period up to two (2) years or fine of not less than fifty (50) days.

Article 39

Misleading Information

39.1 Whoever gives information that is materially false or misleading, or knowingly includes or permits to be included, in any report or document, information that is materially false or misleading, shall be punished by imprisonment for a period up to three (3) years or fine of no less than seventy five (75) days.

39.2 An attempt is punishable.

Article 40

Hindering the Exercise of Powers by an Auditor

40.1 Whoever, directly or indirectly, in any measure or by any means, hinders or leads someone else to hinder the exercise of powers by an auditor under this Act, shall be punished by imprisonment for a period from three (3) months to four (4) years or fine of not less than one hundred (100) days.

40.2 An attempt is punishable.

Article 41

Accessory Penalties

In relation to the crimes provided for in this Act, the following accessory penalties may be applied:

- (a) Termination of contracts;
- (b) Publication of the conviction and sentence; and/or
- (c) Other injunctive relief as may be necessary taking into account the circumstances of the case in question.

Article 42

Liability of Legal Persons, Corporations and Other Legal Entities

42.1 Legal persons, corporations or any other legal entities, including those without juridical personality, are liable for contraventions provided for in this Chapter when committed by its organs or representatives in its name and in the collective interest.

42.2 The liability is excluded where the agent has acted against express orders or instructions properly issued.

42.3 The liability of the entities mentioned in Section 42.1 does not exclude the individual liability of the respective agents.

42.4 The entities mentioned in Section 42.1 are jointly and severally liable, as provided for in civil law, for the payment of any fines or compensations, or for the fulfillment of any obligations, derived from the facts or with incidence on matters covered by the scope of this Act.

Article 43

Fines to Legal Persons, Corporations and Other Legal Entities

43.1 In the case of legal persons, corporations or any other legal entities, including those without juridical personality, the daily rate for fines corresponds to an amount between one United States Dollar (USD \$1.00) and two thousand United States Dollars (USD \$2,000.00), as determined by the court, taking into account the economic and financial circumstances of the legal person, corporation or other legal entity.

43.2 If the fine is applied to an entity without juridical personality, its payment will be guaranteed by the entity's assets and, in the event of non-existence of such assets or under-capitalisation, jointly and severally, the assets of each of the partners or shareholders of the entity.

Article 44

Subsidiary Legislation

General criminal law, both substantive and adjective, as well as the relevant administrative legislation, are applicable in a subsidiary manner, with the required adaptations, to the extent necessary to give effect to the provisions of this Chapter.

**Chapter VIII – Ombudsman for Human Rights and Justice**

Article 45

Complaints to the Ombudsman for Human Rights and Justice

44.1 Any person, legal and natural, may lodge a complaint with the Ombudsman for Human Rights and Justice, on any matters covered by the scope of this Act, in accordance with general law.

44.2 Any recommendations forwarded by the Ombudsman for Human Rights and Justice to the competent authorities, on any matters covered by the scope of this Act, shall be treated as a matter of urgency.

**Chapter IX – Transitional and Final Provisions**

Article 46

Implementation of Organizational Structure

46.1 All appointments necessary for the effective functioning of the Investment Advisory Board shall be made within three (3) months of the entry into force of this Act.

46.2 All appointments necessary for the effective functioning of the Petroleum Fund Consultative Council shall be made within six (6) months of the entry into force of this Act.

Article 47

Subsidiary Laws and Regulations

The Government and the Minister may make regulations for the effective carrying out of the provisions of this Act, including regulations of a transitional nature consequent upon the making of this Act.

Article 48

Opening Balance of the Petroleum Fund

48.1 The opening balance of the Petroleum Fund is the total amount of the payments received by Timor-Leste, up to the commencement of the present Act, as *First Tranche Petroleum*, from the Joint Authority pursuant to the terms of the Exchange of Notes, or from the Designated Authority pursuant to the terms of the Treaty, increased by such amount, if any, as determined by the Government.

48.2 A report on the determination of the opening balance of the Petroleum Fund shall be provided with the first quarterly report presented under Article 13.

Article 49

Entry into force and application

49.1 This Act enters into force on the day following its publication in the *Jornal da República*.

49.2 This Act applies to Fiscal Years commencing on or after 1 July 2005.

49.3 Until the implementation of the organizational structure under this Act is fully completed, and in no case for a period of more than six (6) months starting from the date of entry into force of this Act, only the provisions that do not require the intervention of the organic structure to be constituted shall apply.

Approved on 20 June 2005.

The President of Parliament,

Francisco Guterres “Lu-Olo”

**Schedule 1**  
**Calculating Estimated Sustainable Income for a Fiscal Year**

I. Estimated Sustainable Income for a Fiscal Year is the maximum amount that can be appropriated from the Petroleum Fund in that Fiscal Year and leave sufficient resources in the Petroleum Fund for an amount of the equal real value to be appropriated in all later Fiscal Years as determined in accordance with the formula in paragraphs II and III below.

II. Estimated Sustainable Income for a Fiscal Year is calculated according to the following formula:

**$r \times \text{Petroleum wealth}$**

where:

**r** is the estimated average real rate of return, or real interest rate, on Petroleum Fund investments in the future and, for the purposes of these calculations, shall be 3.0%.

III. In this Schedule, 'Petroleum wealth' is calculated according to the following formula:

$$\mathbf{V + present\ value\ (R_0, R_1, \dots, R_n) = V + \sum_{t=0}^n \frac{R_t}{(1+i)^t}}$$

where:

**V** is the estimated value of the Petroleum Fund at the end of the prior Fiscal Year

**R0,R1, etc.** are the published budget projections for expected annual Petroleum Fund Receipts minus investment returns for that Fiscal Year (R0) and future Fiscal Years (R1, etc.)

**i** is the estimated nominal yield on a U.S. government security, averaged over the years in which Petroleum Fund Receipts are expected

**n** is the number of years until no further Petroleum Fund Receipts are projected to be received.

IV. All assumptions upon which the calculations made pursuant to paragraphs II and III above are based shall be clearly identified and explained, and any changes made in these assumptions in subsequent calculations shall be clearly pointed out.

V. All assumptions made shall be prudent, reflect international best practice and be based upon internationally recognized standards.

VI. The amount determined in accordance with the formula in paragraphs II and III above shall be certified by the Independent Auditor.

**Appendix 3 Participant details survey**

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1. Gender  Male  Female
- 1a. Age  18-25  25-40  40-60  60+
- 1b. Do you have children?  Yes  No
- 1c. Do you have grandchildren?  Yes  No
2. Where do you currently live?  Dili  District of .....
3. Since 1975 until now, where have you lived most of the time?  
 East Timor  Indonesia  Australia  Portugal   
 Other.....
- 3a. What languages do you speak?  
 Tetum  Indonesian  Portuguese  English  Mambae  
 Makassae  Other .....
4. In the past 10 years, what kind of work have you done?  
 Government  NGO  Student  Other .....
- Details:
5. How would you describe your current income level for one year?  
 Earning < \$1 per day  
 Earning \$365 - \$520 per annum  
 Earning \$520 - \$1500  
 Earning \$1500 - \$3000  
 Earning \$3000-\$10,000  
 Earning \$10,000  
 Other .....
6. Level of education  
 No education  Completed primary school  Completed secondary school  
 Completed Bachelor Degree  Completed Masters Degree  Completed Doctorate  
 Other .....

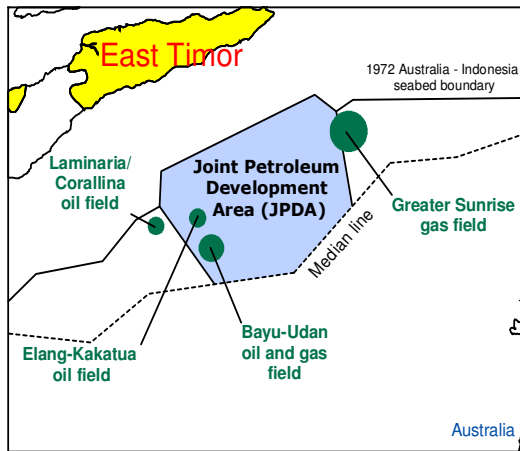
## Appendix 4 Participant information sheet

## WILL PETROLEUM REVENUE SUSTAIN TIMOR-LESTE?

This information sheet gives insight into the problem of the resource curse & Timor-Leste's petroleum revenue management plan.

### The problem

Many countries exploit their natural resources (petroleum, forests, minerals, etc.) as these industries appear to be an easy way to make money. Government decision-makers hope they will develop their economies and improve the lives of their people using this money. Unfortunately, in most cases, the opposite happens. More often than not, countries that exploit their natural resources experience a decline in economic growth; in some countries, the rich people get richer and the poor people get poorer. This happens for a number of reasons; it may be because of the fiscal policy of the government, it may be there is a lack of capacity to manage the revenue, it may be because the money is wasted or mismanaged. For these and other reasons, it will be a challenge for Timor-Leste to use the revenue from petroleum wisely but Timor-Leste has the opportunity to avoid the resource curse.



### Timor-Leste's petroleum revenue

This is a map of the petroleum fields of the Joint Petroleum Development Area (JPDA). Bayu-Udan is already being exploited and providing revenue to Timor-Leste. Timor-Leste is also currently negotiating with Australia to share the resources of Greater Sunrise and exploitation will then depend on the identification of potential LNG (Gas) customers (by Woodside Petroleum) and other industrial requirements.

**This research\*** will identify the most crucial challenges for Timor-Leste in managing its natural resource wealth and make recommendations to improve natural resource wealth management that address those challenges. One of the challenges for Timor-Leste is the capacity of their

nascent institutions to manage their natural resource wealth. The literature shows that the strength of institutions is a key to avoiding the resource curse. Other challenges for Timor-Leste include deciding how much to save and how much to spend, how to save, when to spend and what to spend their natural resource wealth on.

In June and July 2004 I interviewed 28 Timorese political and community leaders and decision-makers (both Timorese and Foreign) and talked with them about their vision for the future of Timor-Leste. I have used their insights and what I have learned from reading the academic literature to develop the questions in this second round of interviews. In July and August 2005 I will use Point\*Wizard software ([www.pointwizard.com](http://www.pointwizard.com)) to elicit the preferences of participants in terms of budget allocation and administrative decisions regarding petroleum revenue management. The opinions of participants will be compared to elicit any correlation between institutional or demographic groups.

The Government of Timor-Leste has established a Petroleum Fund Act and the aim of this Act is to make wise use of their natural resource wealth. This research may add value to the mechanisms already in place by suggesting improvements and additional measures that reflect the input of the people of Timor-Leste that participate in the interviews.

### Student's background

Jenny Drysdale has a Masters of Environmental Science (Monash University), and has worked in development and financial management. Jenny worked in Timor-Leste from July 2000 until March 2002 and established an office for Australian Volunteers International, worked in environmental protection and local government (finance officer), and developed an environmental management framework for the Rural Development Project. In Australia Jenny worked with Friends of Baucau – where communities in Melbourne raised funds to support the development of a Friendship and Learning Centre in Baucau (and other projects).

For further information or to participate in this research please contact Jenny Drysdale (ph +670 727 9447 or email [jennifer.drysdale@anu.edu.au](mailto:jennifer.drysdale@anu.edu.au))

\* This research does not cover the issue of maritime boundaries.

**Appendix 5 Point\*Wizard Interview (Part One) Supporting Information for Participants**

**Part One - Budget Allocation**

The Government of Timor-Leste receives revenue from petroleum exploitation and will spend some of it to maintain the current budget (in place of Development Partners funds). The Parliament may also choose to increase the Government's budget.

In Part One you will be asked to choose (or trade-off) between two options. In the first option, expenditure of one budget item will be maintained and the other increased. In the second option, expenditure of the first budget item will be increased and the other maintained. For example:

The Government of Timor-Leste receives revenue from petroleum exploitation and may choose to increase its budget. Which option would you choose if you were to increase the budget?  
(all other attributes the same)

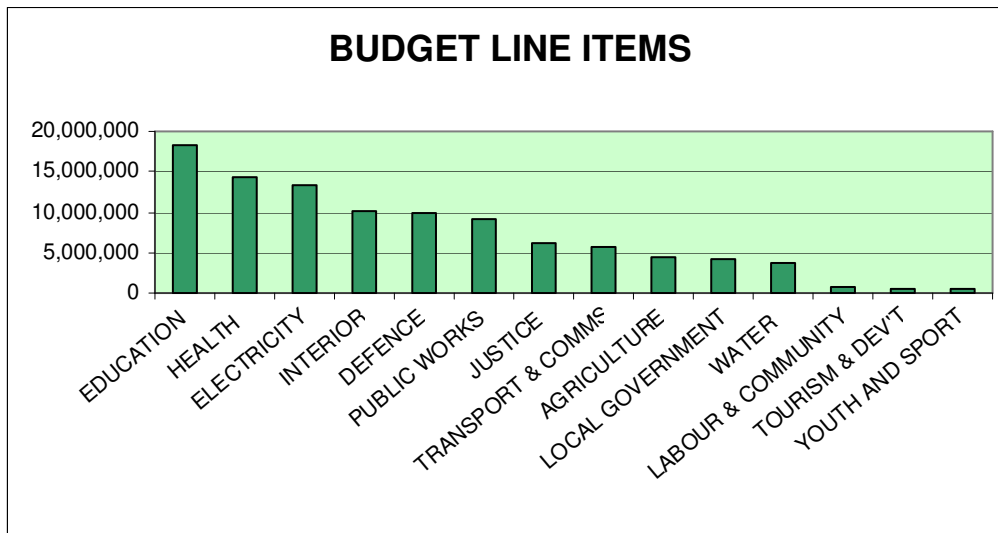
i Environment Maintain current budget	or	i Environment Increase expenditure
m Employment and skills development Increase expenditure		m Employment and skills development Maintain current budget
This one	They're equal	This one

You will be asked to make approximately 35-40 choices like this one. You will be encouraged to talk about your decisions and your comments will be recorded. Part One will take between 20 – 30 minutes to complete. At the end of Part One you will be shown a ranking of the budget items based on the preferences you have expressed.

The budget items that will be included in the choices presented to you are:

- |                                   |                                       |                              |
|-----------------------------------|---------------------------------------|------------------------------|
| Agriculture, Forestry & Fisheries | Justice                               | Tourism and Development      |
| Defence (FDTL)                    | Labour and Community Integration      | Transport and Communications |
| Education                         | Local Government                      | Water                        |
| Electricity                       | Interior (Police, Immigration, etc.)  | Youth and Sport              |
| Health                            | Public Works (Roads, Buildings, etc.) |                              |

If you would like to know a little bit more about the Budget, the following table presents the relative expenditure of some of the budget categories in 2005-06. Note, not all of the budget categories are used in this research.



## Appendix 6 Point\*Wizard Interview (Part Two) Participant Questionnaire

In Part Two you will be asked to choose (or trade-off) administrative decisions. These are decisions that might be made in the development of a Petroleum Fund model. Some of these decisions have already been made by the Government of Timor-Leste. These are complex decisions and some information is provided below. If you do not understand please do not hesitate to ask questions.

The software used in the interview needs to be tailored to your preferences. Please number the categories according to your preference (i.e. 1 is your first preference, 2 is your second preference, and so on).

As in Part One, you will be asked to make approximately 35-45 choices and encouraged to make comments on your decisions. Part Two will be more difficult and take longer (30-40 minutes).

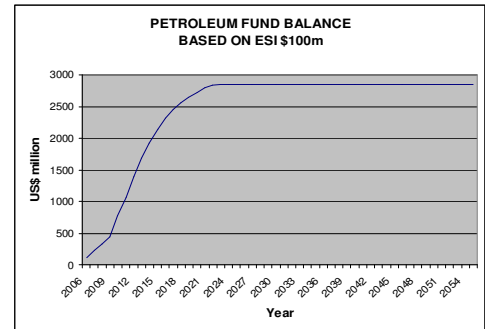
### 1. The Petroleum Fund should be (rank 1-2)

The Government of Timor-Leste has established the Petroleum Fund Act. An alternative would be to establish the Petroleum Fund in the Constitution.

- Enshrined in the Constitution  
 Established through an Act of Parliament

### 2. The amount of revenue withdrawn from the Fund

The 2005-06 Budget states the Estimated Sustainable Income that can be withdrawn from the Petroleum Fund each year is \$100 million. This is based on the assumption that only Bayu-Undan is exploited. On this basis we assume if \$100million is withdrawn from the Fund each year, once the petroleum fields are exhausted the Fund will remain stable forever. If, on the other hand, more than \$100 million is withdrawn from the Fund in any single year, the Fund will eventually diminish to nothing. If less than \$100 million is withdrawn from the Fund in any single year, the value of the Fund will increase overtime. Right now, the Government plans to spend less than \$100 million because they argue the Government does not have the capacity to spend that much yet.



The amount of revenue withdrawn from the Fund each year should be (rank 1-3)

- More than \$100 million  
 Less than \$100 million  
 \$100 million

### 3. The Petroleum Fund should be financially invested in (rank 1-3)

Note: There are no East Timorese financial institutions (e.g. banks).

- Timor-Leste and Overseas  
 Overseas

### 4. Petroleum revenue should be invested in financial assets denominated in (rank 1-2)

- Euros  
 US \$  
 Euros and US \$

## Appendix 6 continued

**5. Investment of the Petroleum Fund**

The Petroleum Fund Law says that, in the first five years, 90% of the Fund will be invested conservatively (it will earn low interest, around 3%, but will also have a very low risk of loss) and 10% will be invested in a wider range of investments. These investments will have the chance to earn higher interest (more than 3%), but they have a higher risk of loss also.

In the first five years the Petroleum fund should be financially invested as follows: (rank 1-3)

- More than 10% should be invested in a wider range of investments (higher risk)
- 90% should be invested conservatively, 10% in a wider range of investments (as in the PF Law)
- 100% should be invested conservatively (risk-averse)

**6. Exploiting Greater Sunrise**

There are four options in the scenario used in this interview. One option is to exploit Greater Sunrise in 2010. This is the earliest possible date of exploitation expected by Woodside based on the need to identify customers and develop rigs, etc. A second option is 2025, which is based on the assumption that Bayu-Undan will be exhausted by then (i.e. that no petroleum revenue will be coming in after this time if Greater Sunrise is not ready to go ahead). A third option is when maritime boundaries are resolved. It is not known when maritime boundaries will be resolved. The fourth option (After 2055) represents a date in the future when the next or future generations will make decisions about petroleum revenue.

Greater Sunrise should be exploited (rank 1-4)

- After 2055 (when future generations can decide)
- When maritime boundaries with Australia are resolved
- In 2025
- In 2010

**7. Petroleum revenue should be spent on (rank 1-4)**

- Individual payments to all East Timorese citizens\*
- Consumer durable capital expenditure (e.g. cars, computers purchased by and for Government use)
- Social services (e.g. health, education)
- Durable capital expenditure/Physical infrastructure (e.g. roads, electricity, ports)

\* "Individual payments to all East Timorese citizens" means a 'royalty' payment (of the same amount to each person) such as they have in Alaska (all Alaskan citizens get a share of the interest earned from their Petroleum Fund). If this option is taken it means there is less (or no) money to spend on the Budget.

**8. Budget expenditure should be financed by (rank 1-2)**

- Withdrawing from the petroleum fund (i.e. not relying on loans)
- Borrowing money from an international financial institution (e.g. the World Bank or the IMF)

## Appendix 7 Semi-structured interview quantitative data analysis (example results)

<b>PARTICIPANT DETAILS</b>	% All Participants Yes	% East Timorese Yes	<b>0002</b>	<b>0003</b>	<b>0010</b>
Government/Foreign/ Church/NGO/Political opposition			Govt	Foreign	Govt
Woman/Man			Woman	Man	Man
Rural/Urban			Rural	N/A	Urban
Decision-maker/No direct role			No role	D-M	D-M
Children?			Yes	N/A	No
<b>ISSUES OF IMPORTANCE TO PARTICIPANTS</b>					
Education is an important issue	89	96	Yes	(Yes)	Yes
Want quality of life to improve	82	96	Yes	-	Yes
Health is an important issue	75	83	Yes	-	Yes
Poverty is an issue	75	83	Yes	-	Yes
Economic development is an issue	75	74	Yes	Yes	Yes
HRD (capacity building) is an issue	71	70	Yes	-	Yes
Foreign assistance is required in future	46	39	-	Yes	Yes
National security is an issue	39	48	Yes	-	Yes
Roads and access are an issue	25	30	Yes	-	-
Water supply is an issue	21	26	Yes	-	-
The environment is an issue	21	26	-	-	-
Electricity supply is an issue	14	17	Yes	-	-
Gender equality is an issue	11	13	Yes	-	-
<b>SPENDING AND SAVING PETROLEUM REVENUE</b>					
Some revenue should be saved	75	74	Yes	Yes	Yes
Petroleum revenue should be used to fund the Budget	46	39	(Yes)	Yes	(Yes)
Revenue should be spent on agriculture	46	57	-	No	Yes
Petroleum revenue should be used to create employment/jobs	29	30	-	-	Yes
Petroleum revenue expenditure should have sustainable benefits	21	22	Yes	-	-
Petroleum revenue should be used to generate income or develop small business	18	22	-	-	Yes
<b>DECISION-MAKING AND INSTITUTIONAL CHALLENGES</b>					
Good governance or consultation is required	79	83	Yes	-	Yes
East Timorese institutions need to be strengthened	68	65	Yes	Yes	Yes
New institutions need to be created	68	74	-	-	Yes
Transparency in decision-making is required	61	57	Yes	Yes	-
Parliament should be involved in decision-making	61	61		Yes	Yes
There is corruption in the Government now	57	52	Yes	-	-
Has confidence in/trusts the Government	46	43	-	(Yes)	No
Government has the capacity to manage revenue	46	43	Yes	Yes	No
Community should share responsibility for decision-making	43	48	-	-	Yes
Need to diversify industry	32	35	-	-	Yes
Corruption comes from Indonesian times	29	26	Yes	-	-
Establish a petroleum ministry	25	17	-	-	(Yes)
Showed confidence in Mari Alkatiri	14	13			Yes
Establish a National Oil Company	14	13	-	-	Yes
Timor Leste will be a victim of the Resource Curse	7	4		-	Yes

## Appendix 8 Participants' vision of Timor-Leste's future

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### Improved health and education

- Life is already different no doubt. In my time I had to walk 12 kilometres to school, from Comoro to Balide. Children now have better access to schools and if the schools are still far away they have access to means of transport... East Timor is now part of the global world. We have communications in the form of television and radio. Previously it was even difficult to get access to radio. Today we have 'parabola' (satellite dish)... So the differences are already big, but still there are challenges. What I would like is for children, particularly in rural areas, to have better education, better healthcare, water and sanitation, power and roads. We still have a long way to go. Every child must eat three meals a day. This is our aim. Children must start thinking about their future. (Mari Alkatiri, former Prime Minister)
  - [In the future] They [children will] have enough protein. [There will be] Good schools, not just number, but quality. Mortality can be reduced... Life expectancy should be higher. (Fernando 'Lasama' de Araujo, Partido Democratico)
  - I hope that they [children in the future] will have a better understanding of the world. That they will embrace the world. Take the benefits of globalisation. They will know that Timor is part of the world. They will have access to more information about the outside world... East Timorese society will be less dominated by the Catholic Church. The future will be a place where children are not hampered in their imagination. (Jose Teixeira, Minister of Natural Resources, Minerals and Energy Policy)
  - [Spend petroleum revenue on] education and health, not physical/infrastructure. Forget about road building. It needs to be spent on human development. (Jose Teixeira, Minister of Natural Resources, Minerals and Energy Policy)
  - School attendance will be free. My wife will have better access to health... People will have longer life expectancy. (Male NGO)
  - Economy for children to go to school. Better education, better health, better food/nutrition, and time for relaxation. (Male NGO)
  - Health services provided will be sufficient. Secondly, but most importantly, education. In the long term this sector will develop, but we need to speed up the skilling up of East Timorese so they develop the capability to run this country. The education system will take longer to develop, but you need a small segment of society to face the challenges of globalization. Then they can transfer their technological acquaintance to others whilst waiting for the education system to catch up. (Male Decision-maker)
  - Education and health. Better nutrition. The amount of health service that is provided will be increased so that people can be really healthy. Secondly, proper/good education which means proper class sizes, books available, and parents can afford to pay for their children to go to school, to buy books. So that the school has a good curriculum. (Male Decision-maker)
  - Yes, I think [the lives of children in the future] will be different to mine. We can give them food to increase their intelligence at school. We will develop our children. Develop Timor-Leste. Develop education, health and food. These are the priorities. We will develop our country for the future... For example, the Ministry of Health gives education for the family about health and this increases their nutrition. (Male Decision-maker)
  - Life in the future is better than now... Everybody will be able to read and write in 20 years' time. In 20 years, everyone will have access to education in rural areas. The quality of education will be increased. Health will be the same. People will have long life. Life expectancy will be higher... Maternal health will be better. Mortality rates will be lower. (Male Bureaucrat)
  - In the future there will be better education, health, roads, [and] infrastructure. It won't change overnight. It will take time. (Male Decision-maker)
  - All children today must go to Primary school... It [the future] will be different. It must be. I have a plan for my children, they will do Masters. (Female Bureaucrat District)
  - I would like them to have a much better life than me. How? Because in my childhood I didn't have a good education. (Male Decision-maker)
-

## Appendix 8 Participants' vision of Timor-Leste's future (continued)

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### Poverty reduction and economic development

- I want the life I didn't have. Timor shouldn't be poor like it is today. It is not just about getting a lot of money, but I dream and the people will have open minds, they will give a global contribution. (Bishop Nascimento, Church Leader)
  - We should use the [petroleum] revenue to create some company or factory to create jobs for the unemployed. What kind of factory? In Portuguese times they used to make orange juice and soap... We can create a factory for coconut oil because we get our oil supply from other countries now. We have lots of fruit so we can make juice. (Maria Paixão, Partido Social Democrata)
  - After 20 years there will be less poverty. (Female District Bureaucrat)
  - Our first priority is poverty reduction. Our other priority is to enhance the economy. (Male Decision-maker)
  - Poverty reduction. We won't have people living in poverty. (Male Bureaucrat)
  - Economic independence is important. We need to increase the amount of paid work. People work without being paid which means they can not pay for their children to go to school. Everyone needs to get paid for the work that they do. Because they can't use what they earn to pay for their children to go to school. I want a situation where people can make money. In the agriculture sector or the tourism sector. These sectors need to develop. (Male Decision-maker)
  - Broadly speaking, eradication of poverty. This will be an issue to a lesser extent than now... There will still be vulnerable groups though. (Male Bureaucrat)
  - Firstly I would be concerned with private activity. First poverty reduction. (Male Bureaucrat)
  - We are not a big country. We need to develop other resources, such as improving conditions for fishermen. By resourcing them with skills and equipment. This will increase the national income. Or other examples include agriculture. We are working from a minimal base now. (Male NGO)
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### Improved infrastructure

- Imagine a situation where you have good roads, good sanitation, [and] good schools for the children... Good circulation of food... A good airport to attract tourism. Good port to get revenue for the country. Enough water. (Fernando 'Lasama' de Araujo, Partido Democratico)
  - We must manage the natural resources for the (benefit of the) future of Timor Leste... There will be a better standard of electricity, water, roads, and infrastructure. This will come from the revenue from natural resources. (Female District Bureaucrat)
  - In rural areas we will have access to everything. In terms of roads, water and sanitation, environment... (Male Bureaucrat)
  - In the future there will be a good supply of electricity, water supply. (Female District Bureaucrat)
  - There will be no blackout of power. There will be power all night. (Male NGO)
  - The Economy. To some extent infrastructure. Transportation system, sports, recreation and other facilities. (Male Decision-maker)
  - Development issues... When we talk about economy it's important to talk about agriculture. (Young Male)
  - To create national infrastructure. I want to dream of good agriculture. People need good roads to establish good production... Secondly, we need power, all night... Third, water and good sanitation... We should have a few savings. The money should be spent through the Budget on projects. (Male Bureaucrat)
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## Appendix 8 Participants' vision of Timor-Leste's future (continued)

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### Better quality of life

- When I was small our parents did not have opportunities. They sacrificed their lives. We wanted things, but they didn't have the power to give them to us. There was a lot of hunger. We wanted a good house. We wanted to play with toys, but there was no time. We would like a better life. (Bishop Nascimento, Church Leader)
  - Reality [now] is very difficult. The economy is not good. People have no money. Without money they can not get good food, go to hospital, buy medicine, [or] go to school. The future will be better. These things will develop. (Male Bureaucrat)
  - Of course, I would like life to be better. Not like the Australian standard. (Male Decision-maker)
  - In 20 years we will see the results from petroleum revenue. It is my party's opinion that in 20 years to come the community will be middle class... All of them? Not all, but about 50%. Until now East Timorese did not have a good life. 80-90% are poor. In two years' time we can use the revenue to improve people's lives. (Maria Paixão, Partido Social Democrata)
  - As we know, from the National Development Plan, people will have good conditions for life in 2020. They will have a good tax system so that people can have a good house, eat three meals a day, children can go to school... Have access to communication [TV from other countries]. (Male Decision-maker)
  - In my dreams, I think life will be different in 20 years, it will be better. We will have everything we need. Everyone will have access to social justice. Better health, education, better life. (Young Male)
  - They [my children in the future] will have a small family. They want a good life. The children look at others and realise that children of larger families have a difficult life economically. (Female Bureaucrat District)
  - I have a vision for how the petroleum money will be spent. I imagine all people will have better houses. It would be sad if you saw good houses springing up in just some areas, like around here [Farol]. I would like to see it progress right through [to the districts]. (Niny Borges, TSDA)
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### More secure

- There will be a big difference. For me, because during my life 20 years ago I didn't have access to have a job in Indonesian times as I was on the blacklist. Not only that, but it was difficult for us to walk around during the day. We gave information to people in the middle of the night. We couldn't sleep. We had no medical treatment, no food. We had to cook for ourselves. No support. (Male Bureaucrat)
  - They [children in the future] won't have war. The impact of war is deep-rooted into the psychology and my psychology and I am still dealing with it. This is a legacy of war. The children [of the future] will be peacefully playing, enjoying their childhood, getting along. They will have more time to play instead of being dragged along because of work. They have toys to play with. Comic books, Peter Pan, Cinderella, rather than working selling oranges. "Give me lolly". I don't want to see children still in the street washing UN cars. No more tale of two cities. Heaven and hell. Equitable, [so that the] difference is not so huge. (Male NGO)
  - We lived in the time of occupation. We didn't have the same opportunities. We went to school, but we couldn't concentrate because we were always worried about our families. These days, they [children] only have to think about school. (Male Decision-maker)
  - I have had in my mind, for a long time, that my generation is a lost one. We didn't grow up normally. We didn't have a healthy environment. We did not have opportunities for education. We lost these. This was a very conflict situation. The only thing we know is conflict. (Male Church Leader)
  - Stability [is an issue]. Relations with other countries. If you don't create the good conditions... In terms of stability there is internal and external stability. For example, internally there is CPD-RDTL [inferring they cause instability]. (Young Male)
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Sustainable Development or Resource Cursed – Appendices

**Appendix 9 Variation in government spending between 2005-06 and 2006-07**

<b>Selected Budget Items</b>	<b>05-06 Total US\$,000</b>	<b>06-07 Total US\$,000</b>	<b>US\$ m difference</b>	<b>Order of Government's Actual Increase</b>	<b>Participants' Order of Relative Importance</b>	<b>Places between participants' &amp; government's order</b>	<b>Percentage increase between 05- 06 &amp; 06-07</b>	<b>Percentage of 06-07 Budget</b>
<b>Defence</b>	9,780	24,390	14,610	3	14	11	149%	7.7
<b>Water<sup>181</sup></b>	3,788	8,673	4,885	12	3	9	129%	2.7
<b>Justice<sup>182</sup></b>	6,227	5,698	-529	14	6	8	-8%	1.8
<b>Local Government</b>	4,149	14,599	10,450	6	11	5	252%	4.6
<b>Public Works</b>	9,142	50,010	40,868	1	5	4	447%	15.8
<b>Health</b>	14,305	25,721	11,416	4	1	3	80%	8.1
<b>Agriculture, Forestry &amp; Fisheries</b>	4,450	14,009	9,559	7	4	3	215%	4.4
<b>Electricity<sup>181</sup></b>	13,324	24,545	11,221	5	7	2	84%	7.8
<b>Tourism and Development</b>	453	9,353	8,900	9	8	1	1965%	3.0
<b>Labour &amp; Community Integration</b>	864	9,997	9,133	8	9	1	1057%	3.2
<b>Interior</b>	10,184	15,552	5,368	11	12	1	53%	4.9
<b>Education</b>	18,220	35,004	16,784	2	2	0	92%	11.1
<b>Transport &amp; Communications</b>	5,734	12,743	7,009	10	10	0	122%	4.0
<b>Youth &amp; Sport</b>	442	2,984	2,542	13	13	0	575%	0.9

<sup>181</sup> 'Water' and 'Electricity' are the relevant components of the budget for the Ministry of Natural Resources, Minerals and Energy Policy.

<sup>182</sup> 'Justice' includes Justice, Tribunals, Provedor of Human Rights and Justice, and the Public Prosecution Office.

## Appendix 10 Selected comments made by participants about social services

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### On Social Services

- They're equal [Education & Health]. The two ministries go hand in hand. You need to educate people to understand and make life choices and that affects the health situation. If people aren't healthy they don't learn. (Jose Teixeira, Minister of Natural Resources, Minerals and Energy Policy)
- One thing I will say for Timor Leste is that there is a great deal of sympathy from donors. They [Timor-Leste] can still attract a great deal of aid. They can get funding for health and education. You should analyse the donor's direction; they won't give money to power or roads. The Government should therefore focus on the less sexy issues. (Kadhim Al-Eyd, Former Resident Representative, IMF)

### On Health

- Health because half the East Timorese are under nutrition and [there is a] lack of medicine, [and] health facilities and even the budget for health infrastructure is not there, so that alone. Clinics are not enough. People can not afford to go to hospital. (Male Academic)
- Increased quality of health means the Government can develop a sense of justice and equity, and develop healthy society, and therefore reduce social tension, and therefore don't need to increase budget for Interior. (Male Decision-maker)
- Many clinics are still broken, there is no ambulance... When the ambulance doesn't work, people die. (Male District Bureaucrat)
- They were doing research in Becora about a whole family with AIDS, but they had to stop the research because there were no drugs. Not enough hospitals, clinics, no doctors. (Female NGO)
- Health because they need medicine. Many die, not enough doctors and nurses in the clinics. Sometimes people in the district die because there are no doctors. (Female District NGO)
- Health is fairly well funded and is attracting a lot of extra-budgetary funding from bi-lateral and multilateral donors. (Female Foreign Adviser)

### On Education

- Without good Education there will be no justice. (Female NGO)
  - When education is no good the East Timorese people can not know about environment... If people are educated they will know how to use the water and take care of the forests so they don't cut down the trees. (Female District Health Worker)
  - Education because it is more important if we want to have a good country. To have a technological country like the US or G8. Human resources are important. If we have human resources we have knowledge and then tourism will be developed by the human resources. (Male Decision-maker)
  - Education at the moment is stuck. It's not systematically developed to meet the needs. Need to focus on vocational training rather than education to respond to the demands of foreign investment and skills competitiveness. (Male Decision-maker)
  - Education because there are not enough resources. Many students, not enough teachers. Sometimes no chairs, no chair for teacher also. They have to sit on the ground. (Female District Teacher)
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**Appendix 11 Selected comments made by participants about infrastructure**


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**On Electricity**

- Electricity because it's one of the main elements of economic infrastructure. If you don't have power then the economy can't work and you won't be able to attract investment. (Male Academic)
- Easy. Electricity because it's the key if you want to have tourism. No electricity no tourists. It's a key. (Male Decision-maker)
- Now we must have electricity even in the rural areas. If they have [electricity] then their children can read [at night] and [they] will be able to compete with the students in the city. In our remote area they only use kerosene. If electricity is in the rural areas they can use electricity to increase their economy. (Male Decision-maker)
- Without having stable electricity supply you don't get any industrial development. The other thing is, as it is now, 'everybody' has generators. From a macro-economic perspective that's an extremely expensive way of supplying electricity to the country. (Einar Risa, Commissioner and former Executive Director, TSDA)
- Electricity because infrastructure in the rural areas is totally lacking. There is not one district that has electricity 24 hours, 7 days a week and a lack of electricity is the single most important constraint to business development and employment creation outside Dili. (Female Foreign Adviser)
- Electricity because if they have electricity they can have small business, it's important, like they are selling ice. (Female District NGO)
- Electricity because power goes off in the middle of a pregnancy. (Male NGO)
- If you don't have electricity there is no problem, but if you don't have water that is a priority. (Male NGO)

**On Public Works**

- Electricity is one key for the investment element, but Public Works is also a key for investment. I want to invest in Timor-Leste to have good roads and good infrastructure, but [they] can't forget about the power. (Male Bureaucrat)
- Public works first because you need infrastructure first. If you have good infrastructure, tourism will come. (Businessman)
- Public Works because roads are dangerous in the rural areas and access to districts is important. [The quality of roads is] cutting opportunities. (Female Decision-maker)
- Public Works because [improvements will] increase access and movement of the population, especially roads. The country, during the rainy season, is practically isolated so roads and infrastructure, in general, is important. (Male Decision-maker)
- Many people want to go to hospital or to the market, but if the roads are not good they can't. From Indonesian times until now they never fixed the road. (Male District Bureaucrat)
- Public Works because many people can get jobs [in Public Works]. All people can do it [work in Public Works]. All people can't do [work in] Tourism, only rich people can. (Male District Farmer)
- Public Works because they should fix the streets because the streets are bad. Mobile clinics need to get around. Roads in *sucos* [villages] are not good. [This is a] Problem for health when they want to go to *suco* and give treatment. (Female District Health Worker)
- Best to spend it on Public Works because one day the mineral [sic. Petroleum] will be finished and so the money should be spent on developing tourism or Agriculture. (Young Male District Veteran)

**On Transport and Communications**

- Transport and Communication because [they] are necessary before one can develop tourism. (Male Decision-maker)
  - Transport because if we have a problem ...they can only walk... they can't go quickly. For example, in the districts in the *suco* [village] if there is a problem, and we have transport we can go there and resolve it. For example, when people beat each other and kill each other they can come quickly and tell the police. (Female District Health Worker)
  - Communication is principal [sic.] for everyone. So that everyone can know what's going on, and Transport is good so that everyone can do something quickly. (Female District Health Worker)
  - Government should be in the business of trying to establish a reasonable level of infrastructure so the private sector can develop. (Male Foreign Adviser)
  - And the reason for Communication is so that all of the districts have Communications. Not only telephone, but internet so we can communicate with the districts. (Male NGO)
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**Appendix 11 Selected comments made by participants about infrastructure (continued)**

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**On Water**

- Water because it is the key element for life. You need [water] for drinking, for food, for cooking, everything. Water is the centre of life. Also [we need] clean water for sanitation. (Male Bureaucrat)
  - Water is more important because they [people in the districts] have to go to the river. They [go there to] have a shower, and they take water for cooking from the river. (Female District Bureaucrat)
  - If you don't have water then you don't have tourists. (Male District Community Leader)
  - Water because we can not live without water and people need water for sanitation otherwise they'll get sick. (Female District Health Worker)
  - Water is important because if you don't have water you can't make Agriculture. Water gives all of people life and they need water for Agriculture to plant everything. If there is no water we will die. And especially in Baucau we don't have water at home so we need to buy. (Female District NGO)
  - You just reminded me I just came back from Ainaro and I saw people walking 7km to get the water so it is more important. (Female NGO)
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## Appendix 12 Selected comments made by participants about local development

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### On Agriculture, Forestry and Fisheries

- We need to increase this [expenditure to Agriculture] to have self-sufficiency in terms of feeding the people because if you have good food and good conditions, the rest [will] come by. (Businessman)
- Agriculture because we can spend now and train our farmers and fishers to enable them to be competitive. It will reduce their needs in the future. (Male Decision-maker)
- Agriculture doesn't rely so much on budget, but the capacity of the people to use infrastructure. (Male Decision-maker)
- Agriculture because you need to develop the economy of the people so agriculture is the priority. (Male District Community Leader)
- Agriculture because we have a lot of land which is not productive. So the Government can develop. We want to prepare product for industry; sugar and oranges, so we need money to plant. (Male District Teacher)
- Agriculture because people are hungry and the Government must increase the Budget to fix their land or to buy some equipment. (Female District NGO)
- You can give money to Agriculture, but you also have to increase their capacity. A lot of people come and talk about Agriculture, but they make Timor a guinea pig, but they are not telling the people how to develop their skills. They have basic capacity, but how can they increase it. Not just fisheries and forests. Not only talking. We have to increase the capacity of the people. This is the way to teach people how to be independent. (Female NGO)
- Those people that make coffee, for example, they need a new machine because they are using traditional [methods]. (Young Female)
- Agriculture because if they put into agriculture then they can grow something to sell it outside. Because the money from oil will be finished one day and we will need Agriculture to replace it. (Young Male District Veteran)

### On Tourism and Development

- Tourism can be supported by private [investment], both local and external. (Businessman)
  - Tourism because if we develop this industry we can get income from this industry. (Female District Bureaucrat)
  - Tourism because in Aileu there is no place for children so every Sunday when they come back from mass after they have lunch they have to go to the farm [to work]. It's better if the Government build somewhere for the children to play rather than go to the farm. (Female District Bureaucrat)
  - Tourism because Tourism can support government by contributing taxes. (Male District Community Leader)
  - Tourism because it will develop the economy. [It] Has a relation with [the] economy. All of our things like Tais [locally produced textiles] we can sell... The Government can fix the place and Tourism can give money to the poor people. (Male District Teacher)
  - Tourism because it can also help our country because people will come from outside and spend money. Many tourists come from outside and give income. (Young Female District)
  - Tourism because although both options have a direct and positive impact on social development, Tourism is an activity that will bring a bigger value-added service, Agriculture and fisheries belong to an economy of subsistence that will do little for an increased development of Timor-Leste. (Male Foreign Adviser)
  - Tourism because it may become, if well developed, one of the main, if not the main, source of non-petroleum income for this country and this country should not rely totally on petroleum industry as it is a capital intensive activity rather than a labour-intensive activity. (Male Foreign Adviser)
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## Appendix 13 Selected comments made by participants about disadvantaged groups

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### On Labour and Community

- Labour because I am a worker and I give importance to other people working. I like to develop with the communities and see the people's different vision and how they come together and how they mobilise and organise to make use of the capacity that they have. (Female District Bureaucrat)
- Labour because first is the issue of the Veterans, second is the issue of improving and developing the skills of our workforce. Social welfare, if it is increased, will reduce conflict. (Businessman)
- Labour and Community should be maintained because if we give more and more they will ask for more. If we give a little they will use it to sustain their life. (Male Decision-maker)
- We have to take care of the veterans because they saved our lives for independence. (Female District Health Worker)
- Labour because government needs to provide recognition for veterans of the resistance and by recognition I mean medals, plaques or certificates or something that gives a physical rather than a monetary or economic except for a very small group who have served long or are vulnerable [who should receive a monetary benefit]. (Female Foreign Adviser)
- Labour because now we don't have a big industry, but for the future I can see outside companies coming here. For example, like Maritime Central they didn't pay extra time and they fire the people. (Male NGO)
- Labour because most employees lack capacity in terms of how to do their job. It is important to re-train them and upgrade their skills so they can not just work in this way forever, but change, and get more wages based on their skills, to improve their living conditions, little by little. (Male Union Leader)
- Some people retired already from the Army. They should be paid every month, because in my village there are too many people retired from the Army in Portuguese times, and it's difficult for them to pay for their children to go to school because they have no money, and they are old, and some people lost their hands so they can not do anything. (Young Female)
- I choose Labour because the veterans are not the young generation and they already gave their life to save this country and we have to give them something and pay them some respect (Young Male District Veteran)

### On Youth and Sport

- Youth because 60% of East Timorese are under 18 years old. You have to invest a lot in youth, creating new opportunities and activities for them to be involved/involve them and also because they are mostly unemployed. (Male Academic)
  - Youth because they will become the future of Timor-Leste. If you have good youth from now you can see a good future. (Male Bureaucrat)
  - So many youths are unemployed and therefore you need to organise sports or youth activities to prevent the youth from going into activities that may destabilise the country. (Male Decision-maker)
  - Youth because they are the future of our nation. If you don't give them time to develop themselves we will create a gap for problems to occur. If you don't increase their capacity or train them, you will have problems, like they are drunk. (Male Decision-maker)
  - Young people are important. We need to create entrepreneurial spirit, social violence and promote community service and work ethics. Give them Electricity and they will watch TV. (Jose Teixeira, Minister of Natural Resources, Minerals and Energy Policy)
  - When youth are strong - morals, knowledge, skills - they will be a competitive labour force for future development. (Male NGO)
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**Appendix 13 Selected comments made by participants about disadvantaged groups (continued)**

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**On Local Government**

- Decentralisation is required. Development at the local level. Huge difference in terms of expenditure of the Government [between central spending and spending at the local level]. (Female Decision-maker)
  - Local Government because it empowers the people to make decisions at a local level, increases community integration and what you call the informal system of control which reduces the need to increase the Justice budget. (Male Decision-maker)
  - Local Government because it is closer to the people than Police. (Male Decision-maker)
  - Local Government needs to be empowered to make decisions on their priorities and it also, indirectly, helps Tourism because Tourism will be affected positively. I'm thinking about Local Government being able to collect taxes and decide its priorities which includes job creation and therefore tourism, but in a more integrated way. (Male Decision-maker)
  - Local Government because Local Government has no resources. We need to increase their capacity, with equipment, and offices for Local Government, so they can give orientation to the community. (Female District Bureaucrat)
  - Local Government because they need more funds to help the community and [to increase the] capacity for them to run activities at the district level. Management of Local Government is low so they can't maintain the assets, cars, buildings, etc. The level is low. (Male District Teacher)
  - Local Government because they take responsibility [for] all of [the] situations in [the] districts. (Young Female District)
  - Local Government because the principle of involving people in decision-making. The concept of subsidiarity where you try to make decisions appropriate to the community. (Male Foreign Adviser)
  - Local Government - I know everyone criticises the Government for being too centralised, but maybe in the next 10 years. But for now I prefer centralised government because the human resources do not have the capacity yet. I remember when the money from Treasury went to Ermera was stolen. In Cuba they have central training for civil servants and they work because they want to work for the people. (Male NGO)
  - Local Government because it's very important in terms of administration to increase the capacity of Local Government like the *Chefe de Suco* [Chief of the Village]. Increase their capacity, then they can understand the whole picture of how to run the Government, and be the link between the centre and the local and process of making decisions, more active participation in decision-making. (Male Union Leader)
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**Appendix 14 Selected comments made by participants about security**


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**On Defence**

- Defence, by definition, is demanding. If you increase the Budget for Defence it is never-ending. A can of worms. [The] Demand is ongoing. Often this is what kills developing countries. The Defence budget ends up becoming a political liability. (Male Decision-maker)
- Our political defence is our diplomatic defence. (Male Decision-maker)
- Defence is equally important specifically for the navy because we need to show there is a presence of the East Timorese navy there in order to prevent illegal fishing. Since we became independent there are many illegal fisheries. They come and take it and there is no means of stopping them. I'm not talking about war, a fleet of war ships, I just mean to protect our borders in the sea. (Foreign Decision-maker)
- We have good relations with Indonesia so we don't need Defence. (Female NGO)
- When they increase the Budget for Defence that has to be to increase the education/capacity of FDTL. (Female NGO)
- We don't need money for guns. (Male NGO)
- Defence because their salary is not enough. (Young Female)
- I don't think Defence really needs money because Timor already has the UN here. So it is better to spend money on other things. So if there is a problem the world will help. (Young Male District Veteran)

**On Interior**

- Interior because the security system is still very weak and the country is easily the prey of illegal smuggling, drug trafficking and money laundering and could create instability because then you can expect bribes and thugs and gangs. (Male Academic)
- We don't need too much police. It's better to have less police and give it to the people to take care of their security. Community policing rather than spend too much money on that [Interior]. (Male Decision-maker)
- Police need to be trained properly and understand how to deal with law and order in the community so there is some form of law and order, but they also need to understand [that] they work for the people, and they are not above the people. (Decision-maker Female)
- Interior because we have security problems. You can have good transport, but if you don't have security the people will not come, they will stay home, East Timorese people will not feel free and secure to walk, to do business and all for the foreign people and they won't come and invest their money. (Male Decision-maker)
- They have enough police. Present number will be sufficient to maintain security in this country. (Male Foreign adviser)
- Interior because the police don't get enough salary, it is just \$85 and this is not enough for your family. They work late which is just voluntary if there is a big problem. (Female District NGO)
- Interior need to increase the capacity of police to be professional. (Female NGO)
- Interior because the police should be working with community. So they can understand what is happening in the community. In Vemasse police are people in the community. (Male NGO)
- Police because police also have small salaries. Also because they have to pay for oil for their motorbike in the districts. (Young Female)

**On Justice**

- Justice because [it is] known as the weakest institution therefore we need to improve it. Plus Justice is also important for other social and economic activities to run well. (Male Decision-maker)
  - Justice because until now I saw a lot of Justice that is not resolved and many things happened that we need to resolve. (Male District Community Leader)
  - Justice because if we have any problems we can know which person does the wrong thing and which one is right. (Female District Health Worker)
  - The people that don't have good education will ask for justice, but if we have good mentality and good education we don't need justice. (Male District Health Worker)
  - Justice because it's at a poor level and investors need to know there is a rule of law they can rely on. (Male Foreign Adviser)
  - Justice needs a lot more investment. Right now because of the time lost during the UN period when they took the whole justice sector in a path that has proven not to result in the creation of a credible judicial system. (Jose Teixeira, Minister of Natural Resources, Minerals and Energy Policy)
  - Justice because her family were victims and until now there is no justice. (Female District NGO)
  - Justice because if justice doesn't have good conditions, some people have lack of capacity and the people's problems are not resolved. Many people are still in Becora [prison] because the decisions have not yet been made. (Male NGO)
-